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{by e-mail}

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Dear Martin

Whitehaven Submission on ARTC Final Indicative Service Consultation Paper

I am writing in response to ARTC's consultation paper dated October 2013 which invites submissions in relation to the Final Indicative Service (**Efficient Train Configuration**).

Background to Whitehaven

Whitehaven is the largest coal producer in the Gunnedah Basin, with production from three open cut mines and a large underground longwall mine. In addition, a new large open cut mine is forecast to commence production in Q1 2015 which will bring total production to more than 20 million tonnes per annum.

Whitehaven currently operates from rail load points at three locations in the Gunnedah Basin: Werris Creek, Gunnedah and Narrabri Mine. A new load point is being constructed as part of the Maules Creek project. The only other coal operation originating in this region is Idemitsu's Boggabri Mine.

The Gunnedah Basin has long been regarded as a capacity constrained part of the Hunter Valley Rail network with significant growth in forecast throughput.

Whitehaven has, and continues, to work closely with its rail haulage providers, the Hunter Valley Coal Chain Coordinator (HVCCC) and ARTC to increase capacity both in the Gunnedah Basin and across the entire network. Following consultation with all these parties, Whitehaven has made significant investments to provide for the most efficient train configuration on the Gunnedah Basin section of current network and is poised to make further investments to meet continued growth arising out of the Maules Creek project.

In the Gunnedah Basin region Whitehaven has underwritten over \$175 million in track infrastructure projects including lengthening passing loops to accommodate larger trains. A

further \$200 million is committed over the next couple of years to expand track capacity further to meet contracted demand. Whitehaven has also upgraded and lengthened loops in its load points to accommodate the larger trains.

In parallel Whitehaven has committed to variations to its rail haulage contracts to provide for these new larger trains. In 2012 Whitehaven, in conjunction with its rail haulage provider Pacific National, phased out the use of the smaller 3000tn trains, in favour of 5400tn and 6000tn trains. In 2013 Whitehaven invested in more wagons and increased the length of the larger trains to 82 wagons (6300tns). In 2014 Whitehaven expects to reach agreement with Pacific National to replace the 3 remaining 5400tn trains with 2 new 6300tn trains. This investment by Whitehaven has provided for a train path efficiency gain of over 210%.

Over the past six months Whitehaven has led the region in trialing 30tn axle load locomotives and underwritten the cost of bringing forward the replacement of the current 25tn axle load track with 30tn axle load track. The 8000tn trains operating in a 30tn axle load environment in the Gunnedah Basin provide for a train path efficiency gain of over 266% in a short number of years.

Whitehaven continues to support defining and moving to the most efficient train configuration.

Final Indicative Service

One of the stated objectives of the Hunter Valley Coal Network Access Undertaking (HVAU) is “the promotion of economically efficient investment, use and operation of the Network being an element of the Hunter Valley Coal Chain.”

Section 4:18 of the Hunter Valley Coal Network Access Undertaking (HVAU) provides that ARTC will develop, in consultation with the HVCCC, the proposed characteristics of the indicative service which ARTC considers will deliver the optimum utilisation of Coal chain capacity, given certain System Assumptions. The proposed characteristics include:

- A. maximum train axle load;
- B. maximum train speed;
- C. train length; and
- D. section run times.

ARTC’s Proposal of Two Configurations for a Final Indicative Service (FIS)

ARTC is proposing two configurations for the FIS, one based on increasing train length, the other increasing axle load. The proposed configurations are:

‘Axle Load’ FIS 35 TAL, 1,606 m length, payload 11,800 t

‘Long’ FIS 30 TAL, 1,914 m length, payload 11,800 t

ARTC states that these configurations both have the potential to increase train payloads by 25% and decrease train movements by up to 20% over the current Initial Indicative Service for a given haulage task.

ARTC reason that:

- 1) increments in train size have continued over the last several decades, usually in an ad hoc and unplanned manner, responding to incremental changes in technology and opportunity;
- 2) there is no reason to anticipate that further incremental change will not occur; and
- 3) setting an aspirational FIS will assist to focus development efforts towards a particular goal.

However, at this time ARTC does not have a fixed view as to which of these is the more likely to be pursued; indeed it is possible that a combination of axle load and length enhancements might be the most appropriate. ARTC state that:

- 1) a substantial amount of analysis, consultation and planning would be required before such a direction could be determined with confidence; and yet
- 2) it is necessary that Operators have confidence that once they have purchased equipment the FIS will not significantly change within the lifetime of those assets.

Whitehaven Response to ARTC's Two Proposals for a Final Indicative Service (FIS)

Whitehaven does not support ARTC's proposal of two configurations for the FIS. The proposal does not provide Whitehaven with any degree of certainty as to the ultimate train configuration and the required track infrastructure to support a FIS.

Whitehaven is in the process of making further investments in both trains and track infrastructure (through ARTC) to accommodate increased volumes arising out of its expansion projects. The FIS should incentivise Whitehaven, and other Access Holders, to make the investment that best promotes economically efficient, use and operation of the Network.

Under the current Two Proposal FIS approach the Access Holder is left to decide, without any certainty, between?

- 1) Ordering longer trains, lengthening load-point loops and working with ARTC to further lengthen passing loops on the Gunnedah network (Zone 3) in the belief that other Access Holders will be sufficiently incentivised to support the infrastructure required to run longer trains through all terminals at Newcastle; or
- 2) Working with ARTC to ensure the current 30TAL project, which is underway in Zone 3, can operate at 35TAL and working with our rail haulage providers in designing wagons that can carry up to 35TAL in the belief that other Access Holders will be sufficiently incentivised to support any infrastructure upgrades that may be required to run 35TAL trains through Zone 1 and terminals at Newcastle.

It is unlikely that the industry will simultaneously support projects to cater for two different FISs.

Given the significant cost of these investments, the natural outcome will be to continue to order trains and build track infrastructure to existing limitations. In which case, the new Final Indicative Service has not provided any incentive in the promotion of economically efficient investment, use and operation of the Network.

Further Observations and Comment

The modelling described in the consultation paper assumes all central and western Hunter Valley hauls use the same train configuration under test, with various scenarios for the Gunnedah Basin. The paper points out that there is a capacity cost associated with operating trains of different capabilities within the same network.

Furthermore the paper highlights an example where one Access Holder is investigating larger trains than currently operate, which would only be able to operate on a restricted number of hauls due to track and terminal constraints. The paper suggests that for those hauls where this configuration could operate it would be highly efficient for the individual access holder.

The paper does not comment on the negative impact that this train would have on total coal chain system capacity. The FIS should incentivise Access Holders and rail haulage operators to use a train configuration that is able to be utilised by multiple load points. This will reduce the risk of trains queuing, and impacting other services, because there are no alternative terminals or load points that that particular train configuration can access. For example, Access Holders in the Gunnedah Basin cooperated to ensure all load-points in the zone could take longer trains before they were introduced earlier this year. It was well understood that had one Access Holder acted without the other there was a high risk of an overall capacity reduction.

Who bears the cost to offset the lost capacity caused by a single Access Holder that is incentivised, under the proposed FIS, to operate a different mode to the rest of the Coal Chain?

Previous modelling by HVCCC indicates significant system capacity gains by having a homogeneous train fleet. This does not mean one rail haulage operator, it merely means that trains have sufficient options (or stowage locations provided by the Access Holder that do not impact anyone else) to ensure maximum train, terminal dump station and path utilisation.

Any proposed FIS that drives the industry to operate different size and type of trains in different sectors of what will always be a relatively small and congested network is counter intuitive.

In developing a single FIS, ARTC (with support from HVCCC and the terminals) must define a whole of coal chain infrastructure strategy that supports the proposed FIS.

Until this work is completed and agreed Whitehaven opposes the adoption of any aspirational FIS that has not been thoroughly evaluated.

Thank you for the opportunity to submit comment on this matter. Please contact me if you would like further clarification on the above.

Yours sincerely,



Jonathan Vandervoort
EXECUTIVE GENERAL MANAGER - INFRASTRUCTURE